




*Newconex Holdings  
Limited*

11th ANNUAL REPORT  
1972



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# NEWCONEX HOLDINGS LIMITED

HEAD OFFICE: Ste. 4003 (P.O. Box 40), Toronto-Dominion Centre, Toronto, Canada

AUTHORIZED CAPITAL - - - - - 4,000,000 shares, par value \$1.00  
ISSUED - - - - - 2,078,425 shares, par value \$1.00

## DIRECTORS

J. IAN CROOKSTON - - - - - Toronto, Canada  
J. GERALD GODSOE, C.B.E., Q.C., LL.D. - - - - - Toronto, Canada  
DR. WILLIAM F. JAMES - - - - - Toronto, Canada  
J. D. LEITCH - - - - - Toronto, Canada  
H. A. MACKAY - - - - - London, England  
BRYCE R. P. MACKENZIE, Q.C. - - - - - Toronto, Canada  
MAJ.-GEN. A. BRUCE MATTHEWS, C.B.E., D.S.O., E.D., C.D. - - - - - Toronto, Canada  
J. D. MCCALL - - - - - London, England  
G. J. MORTIMER, M.B.E. - - - - - London, England  
WILLIAM A. ROBINSON, D.S.O. - - - - - Toronto, Canada

## OFFICERS

J. GERALD GODSOE, C.B.E., Q.C., LL.D. - - - - - Chairman  
WILLIAM A. ROBINSON, D.S.O. - - - - - President  
EMORY T. GREARSON - - - - - Vice-President and General Manager  
FRANK A. WRIGHT - - - - - Secretary-Treasurer

## BANKERS

THE TORONTO-DOMINION BANK

## SOLICITORS

FASKEN & CALVIN - - - - - Toronto

## AUDITORS

DELOITTE, HASKINS & SELLS - - - - - Toronto

## TRANSFER AGENT AND REGISTRAR

CANADA PERMANENT TRUST CO.

Toronto, Montreal, Winnipeg and Vancouver



# NEWCONEX HOLDINGS LIMITED

## DIRECTORS' REPORT TO THE SHAREHOLDERS

To the Shareholders,  
Newconex Holdings Limited:

The results of operations for the year, with comparative figures for the previous year, are summarized as follows:

	1972	1971
Net income before realized appreciation on investments .....	\$ 500,304	\$ 624,415
Realized appreciation on investments — net .....	593,982	1,312,348
Net income .....	<u>\$1,094,286</u>	<u>\$1,936,763</u>

Net income before realized appreciation on investments of \$500,304 for 1972 was \$124,111 less than the corresponding figure of the previous year. The major factors affecting this reduction in operating income are noted hereunder.

Dividend income and interest and sundry revenue were lower by \$146,989, mainly as a result of a reduction of \$120,000 in dividends received in the current period on our investment in Pine Point Mines Ltd. We anticipate a higher income from this investment during the 1973 fiscal year as Pine Point recently announced an increase in its dividend rate. The write-down by \$260,254 of the portfolio of trading securities, held by a subsidiary company, to market value as at June 30, 1972 exceeded the corresponding adjustment as at June 30, 1971 by \$91,786. A substantial portion of the write-down represents unrealized losses, and significant recoveries have been made thereon since June 30, 1972 as a result of higher current market values of such securities. As previously reported, your Company took over the responsibility for financing the Canadian group's exploration activities as of January 1, 1972, and the exploration overhead since that date has been charged against operations.

The more important items which offset, in part, the foregoing reductions in operating income during 1972 were increased profits on the realization of trading securities and from the operations of our industrial subsidiary, together with a reduced provision for income taxes on operating income.

Realized appreciation on investments of \$593,982 for 1972 was \$718,366 lower than the comparative figure for 1971. However, the prior year included a non-recurring gain of \$810,814 on the sale of a subsidiary, Pacific Truck & Trailer Manufacturing Ltd. Further, a provision for income tax of \$106,000 has been deducted from realized gains in the current year. This provision results from legislation which became effective on January 1, 1972 whereby one-half of the net capital gains realized from that date are subject to income tax.

Our industrial subsidiary, Vancouver Equipment Corporation Limited (Vaneco), had an active and profitable year. While sales were lower in 1972 than in the previous year, due largely to the special sale of one class of heavy equipment in 1971, net profit was higher. During the year the Wabco truck and grader accounts and the Bucyrus-Erie mining equipment account were terminated, but Vaneco remains as distributor of Bucyrus-Erie products to the logging and construction industries in British Columbia. Vaneco has since been appointed as distributor for the BLH Austin-Western lines of motor graders and rough terrain cranes.

The consolidated net assets of the Company at June 30, 1972, including marketable securities at market values, amounted to \$17,919,000 or \$8.62 per share, the same as the previous fiscal year end.

In June 1972 your Company declared a dividend of 18 cents per share, which was paid in July.

The amalgamation of your Company and its wholly-owned subsidiary, Melita Investments Limited, was completed, effective as of December 31, 1971. This amalgamation was approved at the Annual and General Meeting of Shareholders held on November 16, 1971.

As of January 1, 1972 a subsidiary of your Company, Newconex Canadian Exploration Ltd. (Exploration), entered into a joint exploration agreement with Gold Fields Exploration Canada Limited (GFEC), whereby both parties contribute equally to an expanded exploration budget. GFEC is a subsidiary of Consolidated Gold Fields Limited, the majority shareholder of your Company. For the period from July 1 to December 31, 1971 the exploration program was operated and financed by GFEC under the terms of an agreement whereby your Company had the right of first refusal on any discoveries made.

During the year ended June 30, 1972 a number of projects were submitted to Exploration and GFEC. Of these, 35 properties were examined in the field and one, the Polar Creek Property of Skyline Explorations Ltd., was optioned. This porphyry copper property, in the Telegraph Creek area of British Columbia, is being explored in partnership with British Newfoundland Exploration Ltd. A comprehensive program of geological mapping, bulldozer trenching and diamond drilling is nearing completion. Results of this work have not been encouraging. Elsewhere in British Columbia we are engaged in four reconnaissance programs aimed at the discovery of porphyry copper deposits. Although nothing of ore grade has been found, several mineralized porphyry environments have been outlined and staked. These claims will be examined in detail.

Together with Conwest Exploration Company Limited, detailed geophysical surveys are being conducted on owned and optioned claims in the Pine Point area of the Northwest Territories. Some interesting indications have been obtained, but they have not been fully assessed.

In Quebec several anomalies were staked in the northwestern part of the province following the release of airborne electromagnetic data by the Quebec Department of Natural Resources. Follow-up surveys are underway to locate the conductors, and it is expected that several drill targets will result from this work. We are also participating in a reconnaissance program in northeastern Quebec. There the targets sought are base and precious metals.

The Directors wish to express their appreciation of the co-operation and loyal efforts of all members of the Company's staff.

On behalf of the Board of Directors,

W. A. Robinson,  
President.

September 18, 1972.



# NEWCONEX H

(Under The Business

## CONSOLIDATED BALAN

(with 1971

### ASSETS

#### Current Assets:

	1972	1971
Cash and demand deposits .....	\$ 2,776,343	\$ 1,329,526
Dividends and interest receivable .....	29,867	31,257
Accounts, notes and contracts receivable .....	1,140,011	2,252,604
Trading securities — at the lower of average cost or market (market value, 1972 — \$1,225,000; 1971 — \$874,471) .....	1,214,807	822,611
Inventories — at the lower of cost or net realizable value .....	3,535,579	2,810,949
Prepaid expenses .....	46,990	40,847
	<u>8,743,597</u>	<u>7,287,794</u>

<b>Contracts Receivable</b> — less portion included in current assets .....	<u>71,312</u>	<u>365,852</u>
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#### Investments — at cost:

Marketable securities (market value, 1972 — \$11,524,730; 1971 — \$13,797,978) .....	10,988,081	12,576,597
Securities without quoted market value (Note 2) .....	454,590	876,189
	<u>11,442,671</u>	<u>13,452,786</u>

<b>Property, Plant and Equipment</b> — at cost .....	1,176,039	961,313
Less accumulated depreciation .....	477,511	420,538
	<u>698,528</u>	<u>540,775</u>

<b>Mining Properties Under Investigation</b> (Notes 2 and 3) .....	<u>507,495</u>	<u>—</u>
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	<u><u>\$21,463,603</u></u>	<u><u>\$21,647,207</u></u>
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See accompanying

# NGS LIMITED

s Act, 1970, Ontario)

EET AS AT JUNE 30, 1972

(comparison)

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Current Liabilities:

	1972	1971
Bank loans (Note 4) .....	\$ 563,000	\$ 475,923
Accounts and contracts payable and accrued charges (Note 4) .....	2,487,868	3,340,086
Income taxes .....	142,972	186,581
Dividend payable .....	374,116	374,116
	<u>3,567,956</u>	<u>4,376,706</u>

### Long-Term Liabilities:

Contracts payable — less portion included in current liabilities (Note 4) ....	87,433	343,433
Bank loan — less portion included in current liabilities .....	142,000	—
	<u>229,433</u>	<u>343,433</u>

Minority Interests in Subsidiary Companies .....	294,551	275,575
	<u>294,551</u>	<u>275,575</u>

### Shareholders' Equity:

#### Capital stock (Note 5):

Authorized — 4,000,000 common shares of a par value of \$1 each		
Issued and fully paid — 2,078,425 shares .....	2,078,425	2,078,425
Contributed surplus .....	8,055,735	8,055,735
Retained earnings .....	7,237,503	6,517,333
	<u>17,371,663</u>	<u>16,651,493</u>

Approved by the Board:

(Signed) J. G. Godsoe, Director.

(Signed) W. A. Robinson, Director.

<u>\$21,463,603</u>	<u>\$21,647,207</u>
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nancial statements.

# NEWCONEX HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF INCOME

For the Year Ended June 30, 1972  
(with 1971 figures for comparison)

	1972	1971
Dividends .....	\$ 520,035	\$ 688,893
Profit on realization of trading securities .....	149,348	89,524
Management and technical fees received .....	68,700	98,400
Interest and sundry revenue .....	46,802	24,933
Revenue from investment operations .....	<u>784,885</u>	<u>901,750</u>
Industrial subsidiaries:		
Sales .....	11,294,500	15,348,242
Cost of sales .....	<u>8,865,754</u>	<u>13,163,559</u>
Gross margin .....	2,428,746	2,184,683
Selling and administration expenses .....	<u>1,603,409</u>	<u>1,387,320</u>
Income of industrial subsidiaries before income taxes .....	<u>825,337</u>	<u>797,363</u>
	<u>1,610,222</u>	<u>1,699,113</u>
Deduct:		
Administration, exploration and general expenses .....	462,110	436,642
Write-down of trading securities to market value .....	<u>260,254</u>	<u>168,468</u>
	<u>722,364</u>	<u>605,110</u>
	<u>887,858</u>	<u>1,094,003</u>
Provision for income taxes (Note 8) .....	<u>339,538</u>	<u>424,671</u>
	<u>548,320</u>	<u>669,332</u>
Minority interests in earnings of subsidiaries .....	<u>48,016</u>	<u>44,917</u>
Net income before realized appreciation on investments .....	<u>500,304</u>	<u>624,415</u>
Realized appreciation on investments (Note 8) .....	<u>593,982</u>	<u>1,312,348</u>
Net income .....	<u>\$ 1,094,286</u>	<u>\$ 1,936,763</u>
Earnings per share:		
Net income before realized appreciation on investments .....	<u>24¢</u>	<u>30¢</u>
Net income .....	<u>53¢</u>	<u>93¢</u>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Year Ended June 30, 1972  
(with 1971 figures for comparison)

	1972	1971
Retained earnings at beginning of the year .....	\$ 6,517,333	\$ 4,954,686
Net income .....	<u>1,094,286</u>	<u>1,936,763</u>
	<u>7,611,619</u>	<u>6,891,449</u>
Dividend .....	<u>374,116</u>	<u>374,116</u>
Retained earnings at end of the year .....	<u>\$ 7,237,503</u>	<u>\$ 6,517,333</u>

See accompanying notes to financial statements.



# NEWCONEX HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended June 30, 1972

(with 1971 figures for comparison)

Source of Funds:	1972	1971
Provided from operations .....	\$1,166,539	\$2,096,096
Book value of marketable securities sold .....	4,037,786	3,853,087
Decrease (increase) in contracts receivable .....	294,540	(281,252)
Sales of property, plant and equipment .....	5,605	6,152
Increase in minority interest .....	18,976	14,197
Long-term bank loan .....	142,000	—
	<u>\$5,665,446</u>	<u>\$5,688,280</u>
Application of Funds:		
Purchases of investments:		
Marketable securities .....	\$2,449,269	\$6,165,089
Securities without quoted market value .....	—	24,865
Purchases of property, plant and equipment .....	235,611	89,127
Decrease (increase) in contracts payable .....	256,000	(299,868)
Deferred exploration expenditures .....	85,897	—
Dividend .....	374,116	374,116
Increase (decrease) in working capital .....	2,264,553	(665,049)
	<u>\$5,665,446</u>	<u>\$5,688,280</u>

## AUDITORS' REPORT

To the Shareholders of  
Newconex Holdings Limited:

We have examined the consolidated balance sheet of Newconex Holdings Limited as at June 30, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except for certain subsidiary companies whose financial statements have been examined and reported on by other chartered accountants.

In our opinion, based on our examination and the reports of other chartered accountants referred to above, these consolidated financial statements present fairly the financial position of the companies as at June 30, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,  
July 21, 1972.

Deloitte, Haskins & Sells,  
Chartered Accountants.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — JUNE 30, 1972

1. The accompanying consolidated financial statements include the accounts of all subsidiary companies. The parent company has an investment in shares of subsidiaries of \$494,000 and advances of \$5,849,000 which in the consolidated accounts are replaced by the underlying net assets of the subsidiaries.  
Effective December 31, 1971, Newconex Holdings Limited and one of its wholly-owned subsidiary companies, Melita Investments Limited, were amalgamated under the provisions of The Business Corporations Act, 1970, Ontario. Under the terms of the amalgamation agreement, the emerging company was Newconex Holdings Limited; there were no changes in the capitalization or shareholdings of the company.
2. As of June 30, 1971, the company had an investment of approximately \$421,000 in shares of Buffalo River Exploration Limited which was included in securities without quoted market value. During the current year, Buffalo River Exploration Limited was wound up and its assets, comprising interests in mining properties, were distributed to the shareholders. The company's interest in these mining properties was valued at the cost of the shares held and is included in mining properties under investigation.
3. The company commenced a general exploration program as of January 1, 1972 through a wholly-owned subsidiary, Newconex Canadian Exploration Ltd. The exploration work is being carried out jointly with an affiliated company, Gold Fields Exploration Canada Limited, under an agreement whereby each company shares equally in the costs and benefits of any work carried out under the joint program.
4. Bank loans, to the extent of \$100,000 (1971 — \$475,923), are secured by an assignment of accounts receivable of an industrial subsidiary.  
Accounts payable include amounts totalling \$1,330,383 (1971 — \$1,393,689) owing on, and secured by, specific units of equipment inventory.  
Contracts payable, totalling \$276,538 (1971 — \$437,332), are secured by an assignment of contracts receivable and inventories aggregating \$254,701 (1971 — \$437,236).  
Certain industrial subsidiaries are contingently liable as guarantors of customers' notes discounted totalling \$994,762 (1971 — \$1,060,106).
5. Under the stock option plan for employees of the company and Newconex Canadian Exploration Ltd., a subsidiary company, 60,500 common shares are presently reserved. Under this plan, as at June 30, 1972, there were outstanding options on 44,500 shares, exercisable at various dates, at prices ranging from \$4.41 to \$6.75, the last of which expires in 1981. No options were granted, exercised or expired during the year.
6. The consolidated statement of income includes:  
Depreciation, 1972 — \$72,253; 1971 — \$62,538  
Remuneration paid to the company's directors, officers, and senior employees, 1972 — \$144,500; 1971 — \$143,450.
7. Investments in foreign securities are valued at cost, and have been shown in Canadian currency at the rates of exchange in effect at the time of purchase. The determination of the market values of such securities at the fiscal year end recognizes the then current exchange rates. Transactions in the consolidated statement of income have been converted at the rates of exchange prevailing at the dates of settlement.
8. Effective January 1, 1972, under the provisions of the revised Income Tax Act, a portion of capital gains less capital losses became subject to income tax. As a result of this change, income tax of \$106,000 relating to taxable capital gains of the parent company has been charged to realized appreciation on investments in 1972, and a tax reduction of \$51,000, arising from administration expenses in excess of other taxable income, has been deducted from the consolidated provision for income taxes.
9. Certain of the company's subsidiaries have available for application against their taxable income of future years operating losses of approximately \$575,000 and accumulated exploration write-offs of approximately \$4,650,000. While the majority of the operating losses expire, for tax purposes, during the years 1975 to 1977, the accumulated exploration write-offs are available indefinitely. Any income tax reductions with respect to these operating losses and accumulated exploration write-offs will be recorded at the time of realization.
10. During the year ended June 30, 1971, the company sold its interest in one of its industrial subsidiaries, Pacific Truck and Trailer Manufacturing, Ltd. The gain recorded to date on the sale of this subsidiary, and included in the 1971 realized appreciation on investments, was \$810,814. This gain did not include an amount retained by the purchaser as a contingency provision against certain warranties in the sale agreement. Final determination of the amount to be ultimately realized will be based on a calculation made as of June 30, 1972.



# NEWCONEX HOLDINGS LIMITED

## AND SUBSIDIARY COMPANIES

The Portfolios at June 30, 1972 included the following securities:

### MARKETABLE SECURITIES

#### Canadian

70,000	Alminex Limited
10,000	Ashland Oil Canada Limited
5,000	Bethlehem Copper Corporation Ltd.
50,000	Canadian Industrial Gas & Oil Ltd.
10,000	Canadian Superior Oil Ltd.
10,000	Conwest Exploration Company Limited
30,000	Coronet Mines Limited
6,400	Falconbridge Nickel Mines Limited
10,000	Hollinger Mines Limited
1,000	Home Oil Company Limited "Class A"
25,500	Home Oil Company Limited "Class B"
17,500	The International Nickel Company of Canada Limited
7,000	Interprovincial Pipe Line Company — Warrants
20,000	The Investors Group — 5% Preferred 1969 Series
50,000	Lornex Mining Corporation Ltd. (N.P.L.)
20,000	MacMillan Bloedel Limited
15,000	PanCanadian Petroleum Limited
60,000	Pine Point Mines Limited
14,000	Placer Development Limited
25,000	Rio Algom Mines Limited
33,750	Sherritt Gordon Mines Limited
10,000	TransCanada PipeLines Limited
10,000	Valley Copper Mines Limited
20,000	Western Decalta Petroleum Limited

#### United States

20,000	American Metal Climax, Incorporated
4,500	Atlantic Richfield Company
10,000	The Babcock and Wilcox Company
3,000	Chrysler Corporation
2,500	Monsanto Company
10,000	Newmont Mining Corporation
15,000	Phillips Petroleum Company
10,609	The Pittston Company
5,000	Texas Gulf, Inc.

#### South African and Other

21,700	Potgietersrust Platinums Ltd.
5,000	Le Nickel S.A.
5,000	Petrofina S.A.
5,000	Queensland Mines Limited

### SECURITY WITHOUT QUOTED MARKET VALUE

685,002	Coppermine River Limited
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# NEWCONEX HOLDINGS LIMITED

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## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the six months ended December 31, 1972  
(Interim statement subject to audit)

	1972	1971
<b>Source of Funds:</b>		
Provided from operations	\$ 665,663	\$ 409,699
Sales of marketable securities	1,114,580	1,202,971
Decrease in agreements receivable	71,312	240,384
Sales of property, plant and equipment	5,735	1,890
Issue of capital stock	8,820	—
	<u>1,866,110</u>	<u>1,854,944</u>
<b>Application of Funds:</b>		
Purchases of investments	3,235,644	1,273,437
Purchases of property, plant and equipment	196,786	22,377
Deferred exploration expenditures	123,246	—
Decrease in long-term liabilities	64,734	141,041
Decrease (increase) in minority interest	246,551	(6,126)
	<u>3,866,961</u>	<u>1,430,729</u>
Increase (decrease) in working capital	<u>\$(2,000,851)</u>	<u>\$ 424,215</u>
Working capital — end of period	<u>\$ 3,174,790</u>	<u>\$3,335,303</u>



*Newconex Holdings Limited*

Interim Report

to the Shareholders

for the six months ended Dec. 31, 1972

POSTAL ADDRESS

P.O. BOX 40, TORONTO-DOMINION CENTRE  
TORONTO, ONTARIO  
M5K 1B7

## NEWCONEX HOLDINGS LIMITED

### To the Shareholders:

The net value of the Company's assets as at December 31, 1972, including marketable securities at market values, amounted to \$18,853,000 or \$9.06 per share, which compares with \$8.12 per share as at December 31, 1971.

Net income for the six months ended December 31, 1972 was \$630,180, an increase of \$246,861 over the corresponding amount for the same period of the previous fiscal year. Realized appreciation on investments was higher during the current period due to the inclusion of a payment of \$169,014 received in substantial settlement of the holdback retained by the purchaser on the sale of the Company's interest in its subsidiary, Pacific Truck & Trailer Manufacturing Ltd., in 1970. A provision for income tax of \$42,000 has been deducted from realized appreciation on investments for the six months ending December 31, 1972. Capital gains were not subject to tax in the corresponding period of the previous year. Other major factors affecting the increase in net income during the current period were a reduction in the write-down of trading securities to market value, the write-off of exploration overhead for which there was no comparable figures in the previous period, and a lower effective rate of tax on operating income of the current period.

As of July 1, 1972 we increased our investment in the Vancouver Equipment Corporation Limited (Vaneco) group of companies and they are now wholly-owned subsidiaries. Vaneco has since relinquished the Bucyrus-Erie account. It has been appointed as distributor by two other manufacturers — in British Columbia and the Yukon Territory for the Liebherr line of heavy-duty hydraulic excavators, which are widely used in the logging, mining and construction industries, and in British Columbia for the Washington Iron Works lines of log loaders, yarders and spars.

December 31, 1972 marks the completion of the first year of joint exploration between the Company, through its subsidiary Newconex Canadian Exploration Ltd., and Gold Fields Exploration Canada Limited. The expanded budget has enabled us to increase staff and to compete more effectively for projects of merit. The Company, jointly with other mining companies, was engaged during the year in three reconnaissance programs in British Columbia and one in Quebec. An additional reconnaissance program in British Columbia was carried out on its own. The Company, with a partner, also carried out an extensive program on claims optioned from Skyline Explorations Ltd. in northern B.C.; explored, optioned and staked claims in the Pine Point area of the Northwest Territories in conjunction with Conwest Exploration Company Limited; and staked several electromagnetic anomalies in Quebec on its own.

The joint reconnaissance surveys in British Columbia resulted in the staking of two groups of claims, which will be explored further in 1973. The results of work on the claims optioned from Skyline Explorations Ltd. were discouraging, and the option was dropped. Six encouraging geophysical indications have been outlined in the Pine Point area and they will be drilled early this year. Ground surveys in Quebec have indicated four potential drill targets on claims staked as the result of the release of airborne electromagnetic data in June 1972 by the Quebec Department of Natural Resources. A second release in December prompted the staking of claims covering four additional anomalies in the vicinity of La Sarre, Quebec, and these will be assessed during the winter.

Because of the discovery of copper on a neighbouring property, some exploratory drilling will be done on the claims under option to us from Canadore Mining and Development Corporation in the Sturgeon Lake area of Ontario. To comply with the terms of the option, a company, Jennifer Mines Limited (Newconex-Gold Fields — 66.7%, Canadore — 33.3%), was formed to take over the claims and it will carry out the drilling.

Toronto, Canada,  
January 22, 1973.

W. A. Robinson,  
President.

## CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

for the six months ended December 31, 1972

(Interim statement subject to audit)

	1972	1971
Income from investments and operations (Note 1) . . . . .	\$ 859,158	\$ 913,958
Administration, exploration and general expenses . . . .	239,079	192,789
Write-down of trading securities to market value . . . . .	33,538	131,618
	<u>272,617</u>	<u>324,407</u>
Income before income taxes	586,541	589,551
Provision for income taxes . . . . .	207,711	303,958
	<u>378,830</u>	<u>285,593</u>
Minority interest . . . . .	—	32,646
Net income before realized appreciation on investments . . . . .	378,830	252,947
Realized appreciation on investments — less income tax thereon of \$42,000 (1971 — nil) (Note 2) . . . . .	251,350	130,372
Net income . . . . .	<u>630,180</u>	<u>383,319</u>
Retained earnings — beginning of period . . . . .	7,237,503	6,517,333
Retained earnings — end of period . . . . .	<u>\$7,867,683</u>	<u>\$6,900,652</u>
Earnings per share:		
Net income before realized appreciation on investments . . . . .	18¢	12¢
Net income . . . . .	<u>30¢</u>	<u>18¢</u>

### Notes:

- (1) Sales of industrial subsidiaries for the six months ended December 31, 1972 were \$6,441,421 (1971 — \$6,342,711).
- (2) 1972 realized appreciation includes \$169,014 received as a payment on the holdback retained by the purchaser of the Company's interest in a subsidiary in 1970.





# *Newconex Holdings Limited*

Preliminary Report

to the Shareholders

as at June 30, 1972

POSTAL ADDRESS

P.O. Box 40, TORONTO-DOMINION CENTRE  
TORONTO 1, ONTARIO



## NEWCONEX HOLDINGS LIMITED

To the Shareholders:

The net value of the Company's assets as at December 31, 1972, including marketable securities at market values, amounted to \$18,853,000 or \$9.06 per share, which compares with \$8.12 per share as at December 31, 1971.

Net income for the six months ended December 31, 1972 was \$630,180, an increase of \$246,861 over the corresponding amount for the same period of the previous fiscal year. Realized appreciation on investments was higher during the current period due to the inclusion of a payment of \$169,014 received in substantial settlement of the holdback retained by the purchaser on the sale of the Company's interest in its subsidiary, Pacific Truck & Trailer Manufacturing Ltd., in 1970. A provision for income tax of \$42,000 has been deducted from realized appreciation on investments for the six months ending December 31, 1972. Capital gains were not subject to tax in the corresponding period of the previous year. Other major factors affecting the increase in net income during the current period were a reduction in the write-down of trading securities to market value, the write-off of exploration overhead for which there was no comparable figures in the previous period, and a lower effective rate of tax on operating income of the current period.

As of July 1, 1972 we increased our investment in the Vancouver Equipment Corporation Limited (Vaneco) group of companies and they are now wholly-owned subsidiaries. Vaneco has since relinquished the Bucyrus-Erie account. It has been appointed as distributor by two other manufacturers — in British Columbia and the Yukon Territory for the Liebherr line of heavy-duty hydraulic excavators, which are widely used in the logging, mining and construction industries, and in British Columbia for the Washington Iron Works lines of log loaders, yarders and spars.

December 31, 1972 marks the completion of the first year of joint exploration between the Company, through its subsidiary Newconex Canadian Exploration Ltd., and Gold Fields Exploration Canada Limited. The expanded budget has enabled us to increase staff and to compete more effectively for projects of merit. The Company, jointly with other mining companies, was engaged during the year in three reconnaissance programs in British Columbia and one in Quebec. An additional reconnaissance program in British Columbia was carried out on its own. The Company, with a partner, also carried out an extensive program on claims optioned from Skyline Explorations Ltd. in northern B.C.; explored, optioned and staked claims in the Pine Point area of the Northwest Territories in conjunction with Conwest Exploration Company Limited; and staked several electromagnetic anomalies in Quebec on its own.

The joint reconnaissance surveys in British Columbia resulted in the staking of two groups of claims, which will be explored further in 1973. The results of work on the claims optioned from Skyline Explorations Ltd. were discouraging, and the option was dropped. Six encouraging geophysical indications have been outlined in the Pine Point area and they will be drilled early this year. Ground surveys in Quebec have indicated four potential drill targets on claims staked as the result of the release of airborne electromagnetic data in June 1972 by the Quebec Department of Natural Resources. A second release in December prompted the staking of claims covering four additional anomalies in the vicinity of La Sarre, Quebec, and these will be assessed during the winter.

## NEWCONEX HOLDINGS LIMITED

To the Shareholders:

We are pleased to present this preliminary report on the affairs of your Company as at June 30, 1972. Included herein is the consolidated statement of income and retained earnings for the year ended June 30, 1972 (unaudited) and for the previous fiscal year. The Annual Report containing the Directors' Report to the Shareholders will be forwarded to the shareholders in due course.

Net income for the year ended June 30, 1972 was \$1,094,286, which compares with \$1,936,763 for the year ended June 30, 1971. The reduction of \$842,477 during 1972 is commented on below.

Net income before realized appreciation on investments for the year ended June 30, 1972 amounted to \$500,304, a decrease of \$124,111 from the corresponding figure for 1971. A major factor in this decline was a reduction of \$120,000 in dividends received in the current period on our investment in Pine Point Mines Ltd. We anticipate a higher income from this investment during the 1973 fiscal year as Pine Point recently announced an increase in its dividend rate. As previously reported, your Company took over the responsibility for financing the Canadian group's exploration activities as of January 1, 1972, and exploration overhead since that date has been charged against the 1972 operations.

Realized appreciation on investments for 1972 was \$699,982, against which a provision for income tax of \$106,000 has been applied. This provision results from federal legislation which became effective on January 1, 1972 whereby one-half of the net capital gains realized from that date are subject to income tax. Realized appreciation on investments for the year ended June 30, 1971 was \$1,312,348, which included a non-recurring gain of \$810,814 on the sale of a subsidiary, Pacific Truck & Trailer Manufacturing Ltd.

The net value of the Company's assets as at June 30, 1972, including marketable securities at market values, was \$17,915,000 or \$8.62 per share, the same as at the previous fiscal year end.

Exploration activities of your Company and its partner, Gold Fields Exploration Canada Limited, are mainly in British Columbia, the Northwest Territories and Quebec. In British Columbia three reconnaissance programs are underway and we are engaged in a major program on the Skyline Polar Creek claims. Together with the Conwest group we have explored several claim groups in the Pine Point area, N.W.T., and plan to continue work during the summer. In Quebec several anomalies were staked following the release of airborne electromagnetic data in the Northwestern part of Quebec by the Quebec Department of Natural Resources.

The Polar Creek claims were recently optioned from Skyline Explorations Ltd. Work carried out by Skyline in 1971 outlined several target areas including an interesting copper showing. Drilling started in June and one hole in the showing area was completed by the month end. Visual estimates indicate that mineralization in the core is not ore grade but complete assays are not yet available. Under the terms of the option your Company and Gold Fields can earn a 70% interest in the property by spending \$2,500,000 over a ten year period.

Toronto, Canada  
July 25, 1972.

W. A. Robinson,  
President.



# NEWCONEX HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

for the year ended June 30, 1972

(Preliminary figures subject to audit)

	1972	1971
Income from investments and operations (Note 1) . . . .	\$1,610,222	\$1,699,113
Administration, exploration and general expenses . . . .	462,110	436,642
Write-down of trading securities to market value . . . . .	260,254	168,468
	<u>722,364</u>	<u>605,110</u>
Income before income taxes	887,858	1,094,003
Provision for income taxes .	339,538	424,671
	<u>548,320</u>	<u>669,332</u>
Minority interest . . . . .	48,016	44,917
Net income before realized appreciation on investments . . . . .	500,304	624,415
Realized appreciation on investments — less income tax thereon of \$106,000 (1971 — nil) (Note 2) . . .	593,982	1,312,348
Net income . . . . .	<u>1,094,286</u>	<u>1,936,763</u>
Retained earnings — beginning of year . . . . .	6,517,333	4,954,686
	<u>7,611,619</u>	<u>6,891,449</u>
Dividend . . . . .	374,116	374,116
Retained earnings — end of year . . . . .	<u>\$7,237,503</u>	<u>\$6,517,333</u>
Earnings per share:		
Net income before realized appreciation on investments . . . . .	✓ 24¢	30¢ ✓
Net income . . . . .	<u>53¢</u>	<u>93¢</u>

### Notes:

- (1) Sales of industrial subsidiaries for the year ended June 30, 1972 were \$11,294,500. (1971 — \$15,348,242).
- (2) 1971 realized appreciation of \$1,312,348 includes a gain of \$810,814 on the sale of a subsidiary company as of July 1, 1970.



## NEWCONEX HOLDINGS LIMITED

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